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21 Dec 73

MEMORANDUM FOR: Director of Central Intelligence
THROUGH: Director of Personnel
SUBJECT: OMB 1975 Personnel Ceiling

1. Last week, Mr. Bridgewater of OMB informed us of their recommendation that the Agency's 1975 staff personnel ceiling be reduced to [] Bridgewater also noted that the dollar reductions which OMB has imposed for 1975 include [] associated with a [] personnel reduction-- [] in staff personnel and [] in contract personnel. Subsequent to the meeting with Bridgewater, our OMB examiner, Jim Oliver, explained that OMB's letter to us on the 1975 budget will contain not only a staff personnel ceiling of [] but a contract personnel ceiling of [] The proposed contract ceiling represents a reduction of [] positions, and is of itself no problem this year. Because there are currently about [] unoccupied contract positions, the cut represents only positions, not people. It is the imposition of the ceiling itself and the future implications of this action with which we are concerned. OMB can legitimately impose such a ceiling if it wishes. As we have no compelling defense against

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it, we would like to propose now that you consider asking OMB to give us not two 1975 ceilings but one in which we would combine staff and contract position levels.

Background

2. For many years, the Agency has been successful in focusing OMB's attention on what we call staff employment, although there has been no effort to hide contract or other forms of employment. It has not been any secret to OMB that we have had, in addition to staff personnel, consultants, contract, temporary and part-time, and indigenous employees.

3. The story with respect to the Congress is somewhat different. As best we can determine, we have made no systematic attempt to present data on forms of employment other than staff. A review of the small budget summary books made available to the Senators and Congressmen at those times reveals no charts or other materials detailing non-staff personnel. In answering questions, however, we have in the past given our Committees a considerable amount of information on overall personnel levels.

4. A normal Federal agency would receive two ceilings from OMB: one covering full-time permanent employment positions, without regard to whether the employees filling such positions were in a contract or regular Civil Service status; and one covering total

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employment, including every employee.* In the case of the State Department, Foreign Service local employees are covered under this latter category. In contrast, CIA has had a staff ceiling, an internal contract ceiling, and has been free of any overall restriction on numbers. The original reasons for this different approach included the desire to maintain the flexibility to hire employees quickly to meet contingency situations without outside review. The imposition by OMB of a contract employee ceiling will eliminate a good bit of that flexibility, and it is likely that our freedom from overall limits will be short-lived.

Our Proposal

5. It is our suggestion that you consider countering OMB's proposed two ceilings with one single ceiling covering both staff and contract employees. For 1975, the new single ceiling would be

25X1A [] the sum of [] (staff) and [] (contract). If such a
25X1A ceiling has been established for 1974, it would have been []
25X1A made up of the [] you are accustomed to dealing with []
25X1A contract positions. The apparent decline from 1974 to 1975 would
25X1A thus be [] Advantages to this approach include the
following:

* The difference between these ceilings, known as the "derived ceiling," may be used for intermittent, part-time, temporary, indigenous or other kinds of employees who are other than full-time permanent personnel.

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a. Even with a position contract ceiling reduction in 1975, there will remain some unoccupied contract positions. Thus, contract positions could be used, if desired, to allow us to keep more than staff personnel positions beyond 30 June 1975. There is, however, a substantial risk that OMB will "find" the empty positions now. They would then be likely to reduce new full-time permanent staff level from . Thus, we would argue that it would be tactically unwise not to identify some portion of this slot "windfall" to OMB now.

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b. A significant number (estimated at) of present contract ceiling positions are occupied by part-time employees. As we continue in the next two or three years to reduce overall personnel levels, we might be able to move some of these employees out from under the new ceiling on full-time employees to the "derived ceiling" referred to in para. 4 above. That would restore some of the flexibility lost when the contract ceiling was imposed.

c. We could deal in a straightforward manner with the desires of Messrs. Brownman and Duckett to convert some

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existing contract personnel to staff status. To the extent that we try now to convert employees from contract to staff status, we effectively lower our [] ceiling. If we had one overall ceiling, there would be no particular penalty or advantage to conversion from contract to staff and we could approach individual cases on their merits.

d. It makes intrinsic sense to us to be subject to one large ceiling rather than to two somewhat smaller ones; since this also conforms to normal Government practice we see little reason not to seek this status.

6. This approach is not without disadvantages however. Most important, you will have to explain to the Congress that we have not received an increase in ceiling from [] but rather have changed our method of counting personnel positions. This could cause some embarrassment.

7. In addition, when we suggest to OMB a single ceiling on full-time permanent employees, it is likely that they will apply to us the overall ceiling which they apply to other Government agencies. At the OMB recommended levels, our overall ceiling for 1975 would

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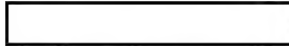
25X1A be [] positions. The difference between this number and our
25X1A permanent ceiling of [] would consist of our [] consultant positions,
25X1A [] temporary and part-time ("summer only") positions, and []
25X1A indigenous positions. Once that total number has become a ceiling,
changes would have to be justified in the future with OMB and Congress.
In the short term, we see no real problem here, primarily because the
indigenous ceiling may, as a result of Southeast Asia cutbacks, be
dropping faster than anyone's desire to reduce our employment. Over
the long term, however, there will be some loss of flexibility,
offset only by the opportunity to shift part-time personnel from the
permanent ceiling into the "derived ceiling," as noted above.

8. To us, the most significant problem is the political one
in dealing with Congress. However, we think that can be overcome,
particularly if presented by you in the context of a sweeping new
look at Agency personnel practices as developed by your predecessors.
Also, given the fact that we would convert all personnel charts to
the new basis, and given that this should reflect the same general
trend in employment levels as presented in the past, we see no major
difficulty.

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9. We, therefore, recommend that you approve our proposal to approach OMB along these lines. There is, of course, no guarantee that OMB will be willing to accept this idea, although they are willing to discuss it. In view of the fact that it effectively constitutes an offer by us to make our personnel practices consistent with those of other Government agencies, however, we don't see why they should refuse.

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Acting Comptroller

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CONCUR:

Director of Personnel

Date

APPROVED:

Director of Central Intelligence

Date

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